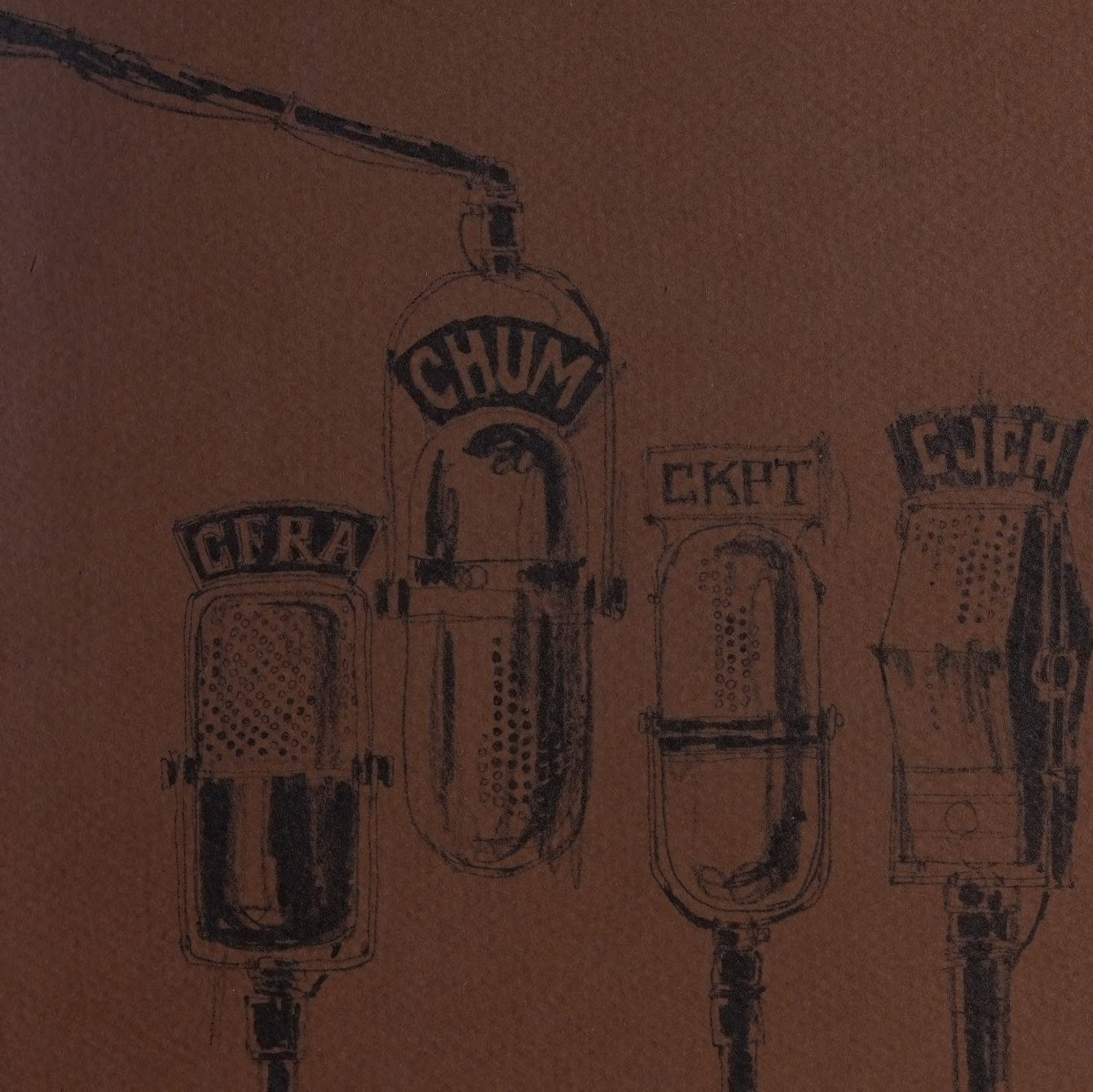


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CHUM Limited

ANNUAL REPORT/YEAR ENDING SEPTEMBER 30, 1967



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Report to the Shareholders



Allan F. Waters,
President and Director,
CHUM Limited

CHUM Limited is a new public company. We are pleased to present this, our first Annual Report.

CHUM Limited officially became a public company in July, 1967, and was subsequently listed on the Toronto and Montreal Stock Exchanges on September 27, 1967.

The present holdings of CHUM Limited are confined to the broadcasting industry. We wholly own Radio Stations CHUM, AM and FM in Toronto, CFRA and CFMO in Ottawa. We have a 50% interest in CKPT, Peterborough, Ontario and CJCH, Halifax, Nova Scotia. We had a one-third interest in CKVR-TV Barrie, but this interest was sold (subject to approval of Governmental bodies) shortly after our September 30th year end.

CHUM Limited is looking to further expansion in the broadcasting industry and also to diversification by the acquisition of other Canadian companies in different fields.

CHUM Limited is an exciting young company with excellent management depth. CHUM Limited, its directors, and its staff are looking forward to expanding with Canada in the challenging years ahead. We feel sure our more than one thousand shareholders greet this anticipated expansion with enthusiasm.

Sales for all radio stations, wholly or partially owned by CHUM Limited, were at an all time high with the exception of CHUM-FM. Sales for this station showed a small decline over the previous year. Programming and sales adjustments are being made to rectify this situation.

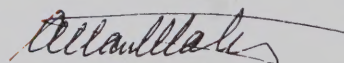
Highlights of the year:

Net earnings.....	\$ 546,850
Earnings per share.....	.81
Funds generated from operations.....	656,188
Provision for Income Taxes.....	660,000
Working capital.....	520,081
Shareholders' equity.....	4,121,046
Long term debt.....	487,583

Dividends—Initial quarterly dividend of 11¢ per Class A share paid September 1, 1967. Second quarterly dividend of 11¢ has been declared payable December 1, 1967.

The most important asset of this Company is people—the people involved in the day to day operations. Without their ideas and contributions, CHUM Limited would not have achieved its present success.

On behalf of Management and the Board of Directors, I express our sincere appreciation.


President

Communication is communication

Of all the media today, only radio has the capacity for immediacy, effectiveness, pertinence and personal contact.

In every case where radio must succeed as a viable member of the community, and as an economic success, the first step is to assess the market you intend to serve, determine the major areas in which it must be served, and program toward that end.

Your company has done it. In every station, regardless of the format it uses, i.e. popular hit parade music, "middle-of-the-road" music, heavy news, special events, sports, the definite needs of a large segment of the population are being served. They are being served better. Your stations reach hundreds of thousands of listeners regularly in four different Canadian markets. In every case the station reaches out to its audience, because radio as it must be today cannot simply be "listened to." We must not only seek to involve ourselves in the communities we serve—through active participation in community affairs, education, and fund-raising—but we must induce our listeners to participate in their own stations. Every listener develops an almost proprietary interest in "his" station. These are his people. They are his friends, his companions, his informants, his entertainers.

Our listeners hear us—and we hear them. In an age when bigness overcomes the individual—radio as we see it—makes the individual vocal again.

Radio's newest and most vital area of the new growth is in the "Open Line" talk format. Your stations have pioneered this technique, and in so doing have become a vital force in every community, and a listening post for every public figure who must determine the individual mood.

Our news departments focus not only on international and national affairs, but on local situations. Our microphones, our mobile cruisers, our news reporters, are seen everywhere. When the public wants to be heard, it has a voice.

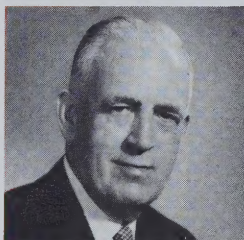
There is nothing disembodied about that voice, because it may very well be the voice and opinion of a neighbour. Radio news is just that: personal, meaningful, and quicker to react and report than any other medium of news.

Communication *is* communication. CHUM Limited—four actively interested stations *do* communicate.

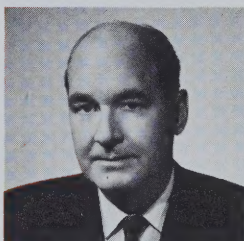
Board of Directors



J. Wesley Armstrong
Toronto
(Vice President, Sales,
CHUM Limited)



Alexander A. Forbes, C.A.
Toronto
(Vice President, Finance,
CHUM Limited)



A. Deane Nesbitt, P.Eng.,
O.B.E., D.F.C.
Montreal
(President, Nesbitt, Thomson
and Company, Limited)



Ralph T. Snelgrove
Barrie
(President, Ralph Snelgrove
Television Limited)



Lawrence S. Solway
Toronto
(Vice President, Programming,
CHUM Limited)

CHUM Toronto

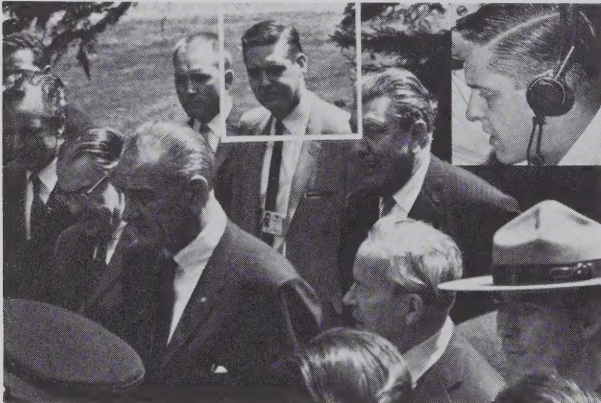
People make a radio station.

Close to 80 professional people make CHUM. Over a million more listen regularly.

These people make CHUM the station that has twice received the Station of the Year Award—Canada's most coveted broadcast citation. And the Ontario Teachers Federation Award "for outstanding service in the field of education" an unprecedented three times.

CHUM is a leader in modern radio—in community service, responsible news coverage, and entertainment with vitality.

CHUM was the first private Canadian radio station to base a full-time newsman in Ottawa. Chief of the Ottawa Bureau is Paul Akehurst who in addition to travelling in Canada with the Queen and President de Gaulle was present when Prime Minister Pearson met President Johnson at Harrington Lake. Second newsman, Arthur Lewis, joined the Ottawa Bureau over a year ago; these two reporters cover activities on Parliament Hill for CHUM and CFRA, CKPT and CJCH.



Former Toronto mayor, Phil Givens and CHUM's Larry Solway are heard hourly each weekday on a capsule challenge and comment series, Give 'n Take. When Givens and Solway talk, listeners listen.



Larry Solway is moderator of Toronto's first telephone discussion program, "Speak Your Mind". Among recent guests on the 2-hour, 5-day-week program: Yusef Karsh, world-famous photographer.



CHUM's Kids' Crusade was incorporated early in 1966. The purpose: to help children. Within the first year, it presented the first of two \$10,000 cheques to build an audio-visual unit to be used for study of intellectually handicapped children. CHUM—Toronto's community-minded "service" station.





CHUM Checks from the Ex. Toronto's best known personalities meet their listeners at the Canadian National Exhibition. Several hundred thousand people jammed CHUM City this year to watch daily performances of Canadian musicians and singers. It was CHUM's tenth year at the Fair!

When news breaks out, CHUM breaks in—with accurate, immediate coverage by the men with the "knows" for news. Separate news bureaus are maintained in Ottawa, and at Queen's Park and City Hall. When big things happen, CHUM Radio News is there.



Your business is CHUM's business. CHUM provides total service to advertisers, frequently talks to their sales forces about their campaigns on CHUM. Sales promotions originated by CHUM have been used by many other radio stations in Canada, testimony to their effectiveness for advertisers.



A service to listeners in rush hours. Traffic reports . . . from on the ground—and in the air from the CHUM Chopper.



CHUM's an advertiser, too. We reach listeners through advertisements in other media.



CFRA Ottawa

CFRA . . . Ottawa's biggest . . . Ottawa's best!

A team of 70 specialists—on and off the air—serve one of Canada's largest listening audiences in Eastern Ontario and Western Quebec.

Big on news . . . big on sports coverage . . . big on community service, CFRA has enjoyed tremendous growth since "signing on" over 20 years ago.

CFRA's offices and studios are housed in a modern building which last year was enlarged to make room for a growing staff.



Activities on Parliament Hill—like last summer's march by 18,000 farmers—are covered live by CFRA's reporters.

CFRA is not only of great value as the leading station in the Ottawa market, Canada's fourth largest consumer area, but because of its strategic position is able to focus clearly on events of national and international importance originating on Parliament Hill. This immediacy gives your three other radio stations a clear advantage over all others in reporting political news. All first-hand information gathered by CFRA's political reporters is available by direct lines to Toronto, Halifax and Peterborough.



When Ottawa's newest hotel, The Skyline, opened officially, CFRA was there to report the festivities.



CFRA gets involved with Ottawa's youth. In co-operation with one of their largest advertisers, CFRA presents the Campus Club, a program with numerous outside activities which is directed exclusively to the young moderns.

CFRA—the voice of the nation's capital.

CJCH Halifax

CJCH gives their listeners the chance to be heard! The moderator of "Phone Forum", the five-day-week telephone discussion program, has frequently been referred to as the Ombudsman of Halifax.

CJCH sponsors the famous Elmer the Safety Elephant campaign in the elementary school systems of Halifax, Dartmouth and Halifax County. Over 100 schools are involved. The program is conducted in co-operation with the Halifax-Dartmouth Police and the RCMP.

CJCH is the Atlantic Provinces' Sports Station with regular play-by-play coverage of Junior A Hockey and mobile coverage of all major sporting events in the area.



CJCH Radio News is everywhere! CJCH newsmen logged thousands of miles for on-the-spot coverage of national, provincial and local news stories, spent a week in Toronto reporting the activities of the Hon. Robert Stanfield during the recent Progressive Conservative leadership convention.

CJCH conducts continuing community service crusades, gives willingly of time and talent to aid worthwhile public service organizations.

News, sports, community events, information and entertainment are the heart of any city. **CJCH is at the heart of Halifax.**



CKPT Peterborough

Big things happen at CKPT!

And they couldn't get much bigger than when the Toronto Maple Leaf Hockey team took over the station for a day! Purpose: to launch the Peterborough Red Feather campaign. Among the Leafs who for 12 hours manned the CKPT microphone: Johnny Bower, Davie Keon, Frank Mahovlich and Pete Stelmowski.



CKPT is growing with Peterborough! A comparison of the Peterborough Chamber of Commerce figures issued in 1960 and 1966-67 shows a population increase of 10,000 persons, 11 new schools, and an enrollment of over 500 students in Trent University which was established in 1963.



And your station is there! CKPT gets involved in community activities, broadcasts 24 hours a day to residents of Peterborough and the Kawartha Lakes Resort Area.

CKPT—serving the community and growing with Peterborough.

CHUM Limited

AND SUBSIDIARY COMPANY

Consolidated Balance Sheet AS AT SEPTEMBER 30, 1967 (with comparative figures at September 30, 1966)

ASSETS

	1967	1966
Current Assets:		
Cash	\$ 287,250	\$ 235,845
Accounts receivable	707,780	397,260
Prepaid expenses	46,643	33,534
	<u>1,041,673</u>	<u>666,639</u>
Investments—at cost: (Note 2)		
Ralph Snelgrove Television Limited	802,521	802,521
Radio CJCH 920 Limited	350,000	350,000
Peterborough Broadcasting Co.	93,812	73,684
	<u>1,246,333</u>	<u>1,226,205</u>
Fixed Assets:		
Land, at cost	521,033	457,765
Buildings and equipment, at cost		
less accumulated depreciation \$1,129,901 (1966—\$578,072)	840,919	553,067
	<u>1,361,952</u>	<u>1,010,832</u>
Excess of cost of shares of subsidiary company over book value of underlying assets	1,480,263	—
	<u>\$5,130,221</u>	<u>\$2,903,676</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 129,327	\$ 122,814
Income taxes payable	228,069	199,962
Instalments on long-term debt due within one year	164,196	180,279
	<u>521,592</u>	<u>503,055</u>
Long-Term Debt: (Note 3)	487,583	1,281,778
Shareholders' Equity:		
Capital Stock: (Note 4)		
Before Supplementary Letters Patent—		
5% non-cumulative redeemable preference		
shares of the par value of \$10 each		
Authorized—28,765 shares		
Shares of no par value—Authorized and issued—100,000 shares		100,000
After Supplementary Letters Patent—		
Non-cumulative, redeemable, convertible		
Class A shares with a par value of \$10 each—		
Authorized and issued—264,133 shares (Note 4)	2,641,330	
Common shares without par value—		
Authorized—1,500,000 shares		
Issued — 412,057 shares	100,000	
Retained Earnings	1,379,716	1,018,843
Total shareholders' equity	4,121,046	1,118,843
	<u>\$5,130,221</u>	<u>\$2,903,676</u>

Approved on behalf of the Board
Allan F. Waters, Director
A. A. Forbes, Director

CHUM Limited

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1967

(with comparative figures for the year 1966) (Note 1)

	1967	1966
Broadcasting revenue, less agency commissions	\$4,207,130	\$2,947,773
Operating expenses	<u>2,803,389</u>	<u>2,199,616</u>
Operating profit	1,403,741	748,157
Add:		
Income from investments	<u>10,128</u>	<u>32,914</u>
Earnings before the undernoted items	1,413,869	781,071
Deduct:		
Interest on long-term debt (Note 6)	<u>97,719</u>	<u>43,365</u>
Depreciation	<u>109,338</u>	<u>89,966</u>
	207,057	133,331
Earnings before income taxes	1,206,812	647,740
Provision for income taxes	<u>659,962</u>	<u>330,000</u>
Net earnings for the year	\$ 546,850	\$ 317,740
Net earnings per share on 676,190 common and Class A shares	<u><u>\$ 0.81</u></u>	<u><u>\$ 0.47*</u></u>

*after giving effect to recapitalization which took place on June 10, 1967

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1967
(with comparative figures for the year 1966)

	1967	1966
Balance at beginning of year	\$1,018,843	\$ 731,103
Add:		
Net earnings for the year	<u>546,850</u>	<u>317,740</u>
	1,565,693	1,048,843
Deduct:		
Cash dividend paid on Class A shares (Note 5)	29,055	—
Premium on repayment of first mortgage income bond	140,000	—
Portion of expenses of Class A stock issue (Note 4b)	16,922	—
Stock dividend	—	25,500
15% tax on undistributed income	<u>—</u>	<u>4,500</u>
	185,977	30,000
Balance at end of year	<u>\$1,379,716</u>	<u>\$1,018,843</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1967 (with comparative figures for the year 1966)

	1967	1966
Sources of Funds:		
Operations		
Net earnings for the year	\$ 546,850	\$ 317,740
Depreciation (not a cash outlay)	<u>109,338</u>	<u>89,966</u>
	656,188	407,706
Other		
Issue of 264,133 Class A shares (Note 4b)	2,641,330	—
Bank and other loans	<u>—</u>	<u>1,150,000</u>
	2,641,330	1,150,000
	<u>3,297,518</u>	<u>1,557,706</u>
Application of Funds:		
Additions to fixed assets (net)	460,458	21,880
Additions to investments	20,128	1,162,725
Excess of cost of shares of subsidiary company over book value of underlying assets	1,480,263	—
Reduction in long-term debt	794,195	215,238
Dividend—Class A shares	29,055	—
Premium on repayment of first mortgage income bond	140,000	—
Portion of expenses of Class A stock issue (Note 4b)	16,922	—
Redemption of 5% non-cumulative redeemable preference shares	—	25,500
15% tax paid on portion of company's undistributed income	<u>—</u>	<u>4,500</u>
	2,941,021	1,429,843
Increase in working capital during year	356,497	127,863
Working capital at beginning of year	163,584	35,721
Working capital at end of year	<u>520,081</u>	<u>\$ 163,584</u>

Auditors' Report

To The Shareholders,
CHUM Limited

We have examined the consolidated balance sheet of CHUM Limited and its Subsidiary Company as at September 30, 1967 and the related Consolidated Statement of Earnings, Retained Earnings and Source and Application of Funds for the year ended on that date. Our examination of the consolidated financial statements of CHUM Limited included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1967 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 17, 1967

EWEN & EWEN
Chartered Accountants

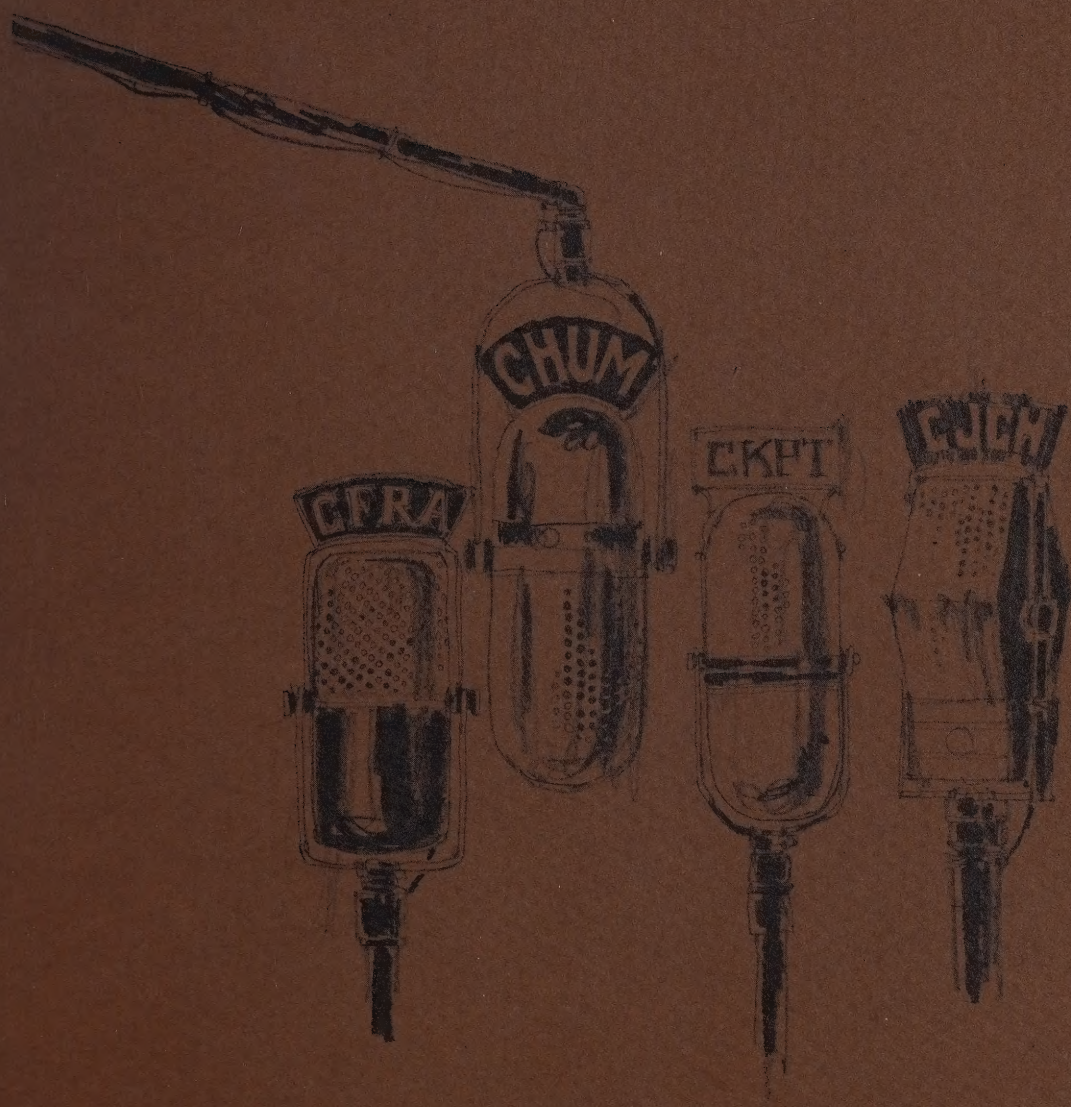
dividends aggregating 45¢ per share shall have been paid, the holders of the common shares are entitled to receive when and if declared by the Board of Directors dividends at the rate of 10¢ per share. Thereafter any further dividends declared shall be paid in equal amounts per share on all the Class A shares and on all the common shares. In any year after July 1, 1969, the holders of the common shares shall be entitled to receive dividends at the rate of 45¢ per share when and if declared by the Board of Directors, after payment of the non-cumulative preferential dividend of 45¢ per share on all the Class A shares, and any further dividends declared shall be paid in equal amounts per share on all the Class A and on all the common shares.

6. Interest on Long-Term Debt:

Interest on long-term debt in the amount of \$97,719 includes an amount of \$76,862 representing interest expense on monies borrowed to acquire the subsidiary company and investments in other broadcasting stations; these loans were fully paid prior to September 30, 1967. The interest on these loans is not allowable as an expense for income tax purposes.

7. Remuneration of Officers and Directors:

During the year aggregate remuneration paid or payable by the Company and its subsidiary to directors, as such, was nil and to senior officers of the Company was \$242,538.



CHUM Limited

AND SUBSIDIARY COMPANY

Notes

TO CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1967

1. Principles of Consolidation:

The accounts of Radio Station CFRA Limited, a wholly-owned subsidiary, have been consolidated with those of CHUM Limited as of January 1, 1967, the date of acquisition. The earnings of the subsidiary from that date have been included in the consolidated statement of earnings for the year ended September 30, 1967. The 1966 figures do not include those of Radio Station CFRA Limited.

2. Investments:

Subsequent to September 30, 1967 the company accepted an offer to purchase its interest in Ralph Snelgrove Television Limited. Completion of the sale is subject to approval of the Board of Broadcast Governors and the Minister of Transport.

3. Long-Term Debt:

6% Bank loan (see below)	\$400,000
7% Mortgage, payable in monthly instalments from October 1, 1967 to March 1, 1985	141,779
6½% Equipment purchase contract, payable \$5,000 monthly from October 28, 1967 to July 28, 1969	110,000
	<u>651,779</u>
Less: Instalments due within one year	164,196
	<u>\$487,583</u>

The bank holds as security for its loans a general assignment of accounts receivable. While all of the bank loans are on a demand basis, the Company has an understanding with the bank that the loan will be reduced at the rate of \$25,000 quarterly, the next payment falling due December 31, 1967.

4. Capital Structure:

(a) Supplementary Letters Patent

On June 10, 1967 Supplementary Letters Patent were issued cancelling the 28,765 unissued preference shares of the par value of \$10 each, subdividing and converting the 100,000 authorized and

issued common shares without par value into 412,057 common shares without par value and increasing the authorized capital by creating an additional 1,087,943 common shares without par value and by creating 264,133 Class A shares with a par value of \$10 each.

4. (b) Proceeds from Issue of Class A Shares:

During the year ended September 30, 1967, the Company issued and sold 180,952 Class A shares with a par value of \$10 each for a cash consideration of \$1,899,996, of which \$90,476 was credited to Premium on shares issued. A further 83,181 Class A shares with a par value of \$10 each were issued for a consideration of \$873,408, of which \$41,598 was credited to premium on shares issued, in settlement of debt totalling \$873,408. The total premium of \$132,074 received on the issue of the Class A shares was used to pay the Underwriters' Commission and a portion of the expenses of the Issue. The transactions are summarized below:

	Number of Class A Shares Issued	Total Considera- tion Received by Company	Credited to Capital Account	Credited to Premium on Shares Issued Account
Issued for cash	180,952	\$1,899,996	\$1,809,520	\$90,476
Issued for settlement of debt totalling \$873,408	83,181	873,408	831,810	41,598
	<u>264,133</u>	<u>\$2,773,404</u>	<u>\$2,641,330</u>	<u>132,074</u>

Deduct: Underwriters' Commission	114,000		
Expense of Issue	34,996		
Less: Portion charged to retained earnings	<u>16,922</u>	<u>18,074</u>	<u>132,074</u>
Balance—Premium on shares issued			<u>\$ nil</u>

5. Dividends:

The Class A shareholders are entitled to receive when and if declared by the Board of Directors non-cumulative preferential dividends at the rate of 45¢ per share. When in any year prior to July 1, 1969,

dividends aggregating 45¢ per share shall have been paid, the holders of the common shares are entitled to receive when and if declared by the Board of Directors dividends at the rate of 10¢ per share. Thereafter any further dividends declared shall be paid in equal amounts per share on all the Class A shares and on all the common shares. In any year after July 1, 1969, the holders of the common shares shall be entitled to receive dividends at the rate of 45¢ per share when and if declared by the Board of Directors, after payment of the non-cumulative preferential dividend of 45¢ per share on all the Class A shares, and any further dividends declared shall be paid in equal amounts per share on all the Class A and on all the common shares.

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7. Remuneration of Officers and Directors:

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